

Acting Chief C/RR

23 January 1956

Acting Chief D/E/RR

Report Meeting SDAC Working Group III, 18 January 1956

I. Emergency Action Steps, Economic Warfare (not on the Agenda)

a. Mr. Hale, SDAC, reported that they had not yet resolved the economic warfare issue within their own group or with other elements of the State Department. This matter was not further discussed in the Working Group.

II. U.S. Counter-Bloc Economic Penetration Policies and Programs
(the only item on the agenda)

a. Mr. Goodkind, State, in his opening remarks mentioned that the SDAC draft of the work program, dated 7 January 1956, raised the fundamental question, "Is there an appropriate role for Working Group III?" Mr. Goodkind stated that he now agrees that the group does have a role so long as the working program is tailored to appropriate functions of SDAC. He also stated that if he had once indicated that Working Group III should disclaim all responsibility, he now recedes. The problem then is to define the role of the Working Group.

b. Mr. George, Commerce, pointed out that the economic penetration problem has grown in importance and size and that, leaving aside the question as to whether other groups should work on this problem, SDAC can make a large contribution, especially in the absence of any other effective entity. Mr. George urged that WG III do as much as it can, make the best analysis possible and recommend action and also new policies to top level authorities. Mr. Goodkind responded by stating that much of the problem was one for coordination within the State Department and advised that they had sent upstairs in State a memorandum with two recommendations;

(1) Review of current policy and its adequacies to meet the challenge and

(2) Establish a more definitely assigned responsibility for collation data on Soviet efforts.

c. To economize on time, Mr. Goodkind directed attention immediately to a revision of the recommendations contained in the SDAC draft of 9 January 1956. The revised recommendations will be submitted to the Working Group members for comment. A copy of the revised recommendations, however, is not available from the secretary of Working Group III.

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Meanwhile, P/X has prepared a draft statement of the revised recommendations based on notes taken at the meeting. A copy of this draft is attached.

d. The Working Group revision of the MAC recommendations resulted in the following significant changes:

1. The wording "Working Group III shall cause to be set up arrangements ..." (see attachment) was changed to "shall maintain". This change reflected Mr. Goodkind's opinion that arrangements for the most part have already been made and that DIA is essentially providing the information needed by the Working Group.

2. The recommendation that the Research Planning Panel of Working Group III be given the task of developing arrangements was dropped, largely for the reason stated immediately above.

3. Recommendation number two of the original MAC draft was restated so as to avoid any misinterpretation relative to the scope of its function and the provision that recommendations be forwarded through MAC channels was dropped in part because it was indicated that MAC might not necessarily be the channel to the CCP.

4. The revision of Recommendation three of the MAC draft clearly directs the Working Group III to undertake the examination of individual cases to determine the existence or threat of excessive reliance on the Soviet bloc as a trading partner and may be interpreted as restricting its recommendations to individual cases where excessive dependence has been determined to either exist or be threatened.

e. Comments and suggestions made during the meeting by the representatives of DIA, MAC, Commerce and CIA indicated clearly that a majority of the Working Group members do not feel that the existing arrangements for the collation of information are adequate. Late in the meeting Mr. Hale, MAC, asked specifically why Mr. Goodkind was opposed to having the Research Planning Panel develop arrangements for the collation of information. Mr. Goodkind indicated that he had no objection to using the panel, but preferred to inquire further into the matter. He requested that DIA and CIA prepare a joint memorandum which would (1) inventory studies related to the work of the group which had been completed during approximately the last six months and (2) survey the work in progress or program for ensuing months.

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f. The statement of the problem and the discussion section of the MDAC draft of 9 January were not discussed at the Working Group meeting. Minor changes will be made by MDAC and coordinated with the chairman of Working Group III. The revised paper, including the recommendations as revised in the Working Group meeting, will be circulated to members of the Working Group. No further discussion in the Working Group is anticipated, but members were requested to make comments by telephone. The final paper will be transmitted to the chairman of the EDAC Executive Committee.

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REVISED RECOMMENDATIONS TO BE INCORPORATED IN THE REVISED DRAFT
OF "WORK PROGRAM FOR WORKING GROUP III WITH
REGARD TO U.S. POLICY ON SOVIET-BLOC
ECONOMIC PENETRATION ACTIVITIES
IN THE FREE WORLD

Recommendations

1. Working Group III shall maintain arrangements for the systematic and continuing flow to it of collated and analyzed data on the Soviet bloc economic activities in the Free World, including such special studies on particular problems as may be found necessary.

2. (a) Working Group III shall maintain under review the national policy directives which place responsibility on the economic defense community with regard to Soviet bloc economic penetration activities in the Free World.

(b) In discharging the function under (a) above at the present time, Working Group III shall undertake the following review:

(i) A new study of the current status and impact of Soviet bloc economic activities in Free World countries and correlative aspects of U.S. foreign economic programs as related to economic defense matters;

(ii) A review of existing national policy directives to the economic defense community in NSC 152/3 on the subject of Soviet economic activities in the Free World and of the revision of the pertinent paragraphs proposed in the report to the Council on Foreign Economic Policy of July 5, 1955; recommendations based on this review should then be forwarded to the Council on Foreign Economic Policy and thence to the NSC.

3. Working Group III shall undertake, to the extent of its abilities, active surveillance of Soviet bloc economic activities in the Free World, examining individual cases in the light of existing economic defense policy responsibilities to:

(a) Determine the existence or threat of excessive reliance on the Soviet bloc as a trading partner; and

(b) Where a determination may be made that such reliance exists or is threatened, recommend such courses of action as may appear appropriate.

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